

BOYCE JACOBSEN
note to HQ
7/97

Bob Mu conversation.

Was cordial but pointed.

His basic message was the wanted us out of core AV.

He said that MSFT had concluded that fundamental datatypes like words and numbers were in essence a core part of the operating system. That in fact office and Windows were one, since if what an operating system did was to "display" things, then Word/Excel (office) were part of the OS. And since the world was going networked, that applied to browsers.

He said that he thought video was one of the most exciting datatypes - since monitors were visual things, video had to be thought of like "words", and microsoft had to control this franchise. He said that anyone who competed against MSFT in the operating system "lost" - that there were only two people left in town who still competed against msft as a potential OS vendor - Sun and Oracle - and the rest had been obliterated, and MSFT was targeting these last two. He referenced their scalability day as part of killing Sun. So the message was that if wanted to do value add on top of their video, fine; if not, we were an OS contender and msft would target us for obliteration. He cited PeopleSoft as ok - he said adobe had pretensions of OS, but had basically backed off.

Per my prepared notes, I said that we weren't moving out because their baseline solution was so bad and because the "add-on" market was small, and that maybe in a couple years we'd move "up" when/if core A, V delivery was commoditized by us, MSFT, or technology like mpeg on motherboards.

